

# Payment Integrity Scorecard

**Program or Activity**

Internal Revenue Service - American Opportunity Tax Credit

**Reporting Period**

Q2 2026

**FY 2025 Overpayment Amount (\$M)\***

**\$1,536**

\*Estimate based a sampling time frame starting 1/2023 and ending 12/2023



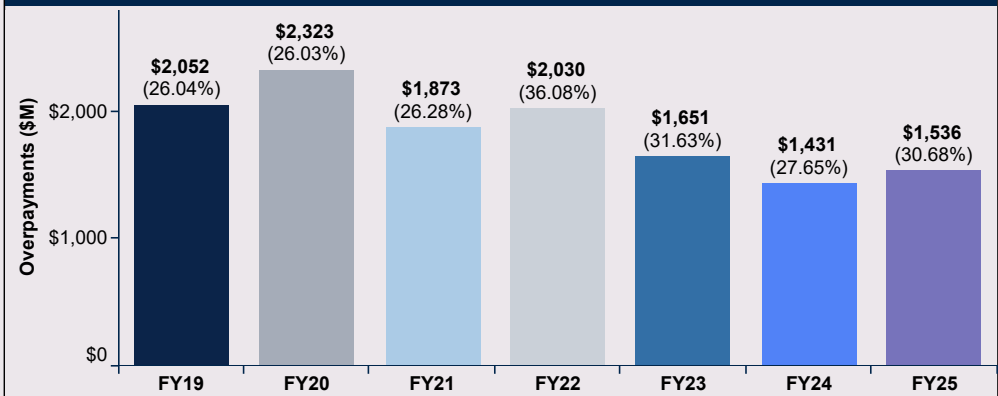
**TREASURY**

Internal Revenue Service - American Opportunity Tax Credit

**Brief Program Description & summary of overpayment causes and barriers to prevention:**

The American Opportunity Tax Credit (AOTC) is a credit for qualified education expenses paid for an eligible student for the first four years of higher education. \$0.57B of AOTC overclaims are from the inability to authenticate eligibility because the data needed does not exist. This root cause includes errors that IRS can only verify via audit since no data exists to support automated compliance checks. \$0.97B of AOTC overclaims are from program design limitations. Errors caused by program design occur when information needed to confirm payment accuracy is not available at the time the return is processed.

**Historical Payment Rate and Amount (\$M)  
(Overpayment as Percentage of Total Outlays)**



**Discussion of Actions Taken in the Preceding Quarter and Actions Planned in the Following Quarter to Prevent Overpayments**

- Pre-Refund Examinations - The IRS identifies tax returns and amended returns for examination. IRS holds the refundable portion of the refund (or, in the case of amended returns, prevents the issuance of the refund) until an audit can be completed.
- Two- and Ten-Year Bans - The IRS embargoes taxpayers from claiming credits if the taxpayers' previous claims were due to reckless or intentional disregard of the rules and regulations or to fraud.
- Pre-Refund Automated Questionable Credit Program - Automated program designed to protect revenue by covering returns that are currently untreated or undertreated by other available programs across the IRS.
- Return Preparer Strategy Program - The IRS administers a program to help address issues related to high-risk preparers and improve compliance. The program identifies preparers who submit significant numbers of tax returns with over-claimed refundable credits or errors related to the head of household filing status.

**Accomplishments in Reducing Overpayment**

**Date**

		Date
1	Return Preparer Strategy Filing Season Outreach - The IRS issued Letter 4858, You May Not Have Met Your Due Diligence Requirements, to nearly 8,800 paid tax return preparers.	Mar-26
2	Refundable Credit Webinars - The IRS presented four webinars to educate the tax preparer community on refundable credit eligibility requirements including the AOTC, due diligence responsibilities, and educational resources on IRS.gov.	Jan-26
3	Interactive Tax Assistant (ITA) Updates - The IRS released annual updates to its Interactive Tax Assistant (ITA) to strengthen up front compliance, generating more than 509,000 completed sessions. The ITA provides answers to several tax law questions.	Dec-25

# Payment Integrity Scorecard

**Program or Activity**

Internal Revenue Service - American Opportunity Tax Credit

**Reporting Period**

Q2 2026

Goals towards Reducing Overpayments		Status	ECD	Recovery Method	Overpayments Recover Plan	Brief Description of Actions Taken to Recover Overpayments	
1	Reject electronic returns with missing or inconsistent information via math error.	On-Track	Sep-26	1	Recovery Activity	Examination Closures - The IRS uses the Dependent Database (DDb), a risk-based scoring and selection application that is designed to identify potentially ineligible tax returns claiming refundable credits.	Examination Closures - In the second quarter of FY26, the IRS completed examinations of nearly 14,300 returns claiming high-priority refundable tax credits, including the AOTC, protecting \$82.7M.
				2	Recovery Activity	Document Matching - The IRS matches payer information in the Information Returns Master file with taxpayer return information in the Individual Master File to verify the taxpayer reported all income as required.	Document Matching - In the first quarter of FY26, the IRS continued to use document matching as a recovery activity to confirm taxpayer-reported income for AOTC claims, promoting accurate filing and improving compliance while reducing improper payments.
2	Conduct pre-refund audits.	On-Track	Sep-26	3	Recovery Activity	Two- and Ten-Year Bans - The IRS imposed two and ten-year bans on taxpayers if the IRS determines that the taxpayers' claims were due to reckless or intentional disregard of the regulations or to fraud.	Two- and Ten-Year Bans - Through the second quarter of FY26, the IRS imposed two- and ten-year bans on more than 330 taxpayers deemed to have claimed refundable credits, including the AOTC, in reckless or intentional disregard of the law, or due to fraud.

Amt(\$)	Root Cause of Overpayment	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
\$968M	Overpayments that occurred because of an Inability to Access the Data/Information Needed.	Approximately \$0.57B of the AOTC overclaims are from the inability to authenticate eligibility because the data needed does not exist. This root cause includes errors that the IRS can only verify via audit since no data exists to support automated compliance checks.	Change Process - altering or updating a process or policy to prevent or correct error.	The IRS will continue to hold its annual Dependent Database (DDb) meetings with stakeholders, to evaluate the value of prior-year compliance filters for audit selection of returns claiming the AOTC and identify improvement opportunities for next filing season.
\$568M	Overpayments that occurred because the Data/Information Needed Does Not Exist.	Approximately \$0.97B of the AOTC overclaims are from program design limitations. Errors caused by program design occur when information needed to confirm payment accuracy is not available at the time the return is processed.	Training - teaching a particular skill or type of behavior; refreshing on the proper processing methods.	Training - The IRS will continue to educate tax professionals on their due diligence requirements regarding the AOTC.